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ABSTRACT

Issues and data on the costs of public and private services for special needs children in Virginia are examined, based on a study conducted during the 1981-1982 fiscal year. Attention is directed to special services provided in separate facilities and to the cost per child per day, and the number of children receiving services at these unit costs. The data are presented in two general sections: special residential services not involving special education; and special education services provided in separate facilities, day and residential. The section on nonspecial education residential services includes data on private nonprofit community homes, Department of Corrections Community Youth Homes, and State Learning Centers. The special education section includes data on private day and residential special programs with rates established by the Department of Education, including both in- and out-of-state facilities, public regional special education programs, and child and adolescent programs operated by the State Department of Mental Health and Mental Retardation. For each section, the data are presented first in the form of questions and answers, and then graphically. The notes pertaining to the graphed data explain the source and manner of analysis of the data. It is suggested that the most significant findings are the lack of readily accessible cost information that public policy decision making requires, and the fact that services provided by the private sector are generally less costly than similar services provided by the public sector. (SEW)

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SERVING VIRGINIA'S CHILDREN WITH SPECIAL NEEDS:

A DESCRIPTION OF THE COSTS OF CARE, EDUCATION, AND TREATMENT IN THE PUBLIC AND PRIVATE SECTORS

A STUDY CONDUCTED BY THE

VIRGINIA ASSOCIATION OF CHILDREN'S HOMES

VIRGINIA ASSOCIATION OF INDEPENDENT SPECIAL EDUCATION FACILITIES

VIRGINIA COMMUNITY RESIDENTIAL CARE ASSOCIATION

1982

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I.
INTRODUCTION

For years, both the public sector and the private sector have felt the lack of a comprehensive cost overview for the care, education, and treatment of children with special needs. As a consequence, mis-information and frustration have plagued both providers and purchasers of services for these children. In addition, this lack of clarity has not served the interests of the taxpayer, who pays for most of these services whether they are delivered in the public sector or in the private sector.

A year ago, a meeting in Fredericksburg brought together providers from the three major associations serving children in residential care and special education: the Virginia Association of Independent Special Education Facilities, the Virginia Community Residential Care Association, and the Virginia Association of Children's Homes. The purpose was to determine to what extent the various types of provider agencies had common interests and concerns. The associations found that they are in agreement on a number of general policy objectives, including the following:

1. to insure the continuation and growth of a mixed (public/private), high-quality system of care, education, and treatment for special needs children in Virginia;
2. to encourage development of coordinated (inter-agency, public/private) long-range planning for service delivery;
3. to encourage development of service cost analyses and funding mechanisms which reflect the existence of the total services system and its mixed nature, and which would take a taxpayer's (overall) view of cost effective use of public funds; and,
4. to broaden the present information situation in which the only costs published by state authorities are those of the private sector, allowing misconceptions of public/private cost relationships.

As a result, the Virginia Coalition of Children's Residential and Special Education Facilities was founded. Because movement toward the objectives outlined above required at least a preliminary data base, the Coalition authorized as its initial acitivity a descriptive cost study of services for special needs children in the Commonwealth.

Research for the Coalition's Cost Study was carried out by the directors of nine agencies, assisted by a doctoral candidate, who met regularly for a year. Over 1,000 professional hours were expended by these people in this research project: analyzing state department budgets, reviewing rate printouts, meeting with agency personnel, conducting computer analyses, etc.

This report is the result of that year-long effort. There are still gaps in some types of data, despite our best efforts to obtain them. For example, the special education costs for local education agencies (LEA's) are not included because there is no uniform method used to compute such costs. Another example was our inability to allocate the administrative costs for the regional and/or state offices of the Departments of Corrections and Mental Health and Mental Retardation to their children's programs.

This effort is the most comprehensive package of fiscal information regarding residential and educational programs in any state, to our knowledge. The individuals who participated in this project volunteered their time and their expenses. It is their desire to educate their peers, legislators, civil servants, and the public regarding the true cost to taxpayers of services to Virginia's children with special needs.

The Study Committee
March, 1982

II.
PURPOSE AND CONTEXT OF STUDY

The purpose of this study is to collect and describe some preliminary facts about the cost of public and private services for special needs children in Virginia. There are two problems, a short-range one and a long-range one, that require this information for their solution.

The short-range problem is that, despite a situation in which assumptions about the relationship between public and private service costs are frequently asserted as fact, no "facts", even basic ones, have yet been gathered about these costs on a cross-sector, cross-departmental basis. In the short-run then, the preliminary information developed in this study is intended to provide a factual basis for statements about current cost relationships, and to prevent misconceptions from being fostered.

The long-range problem is that, in times of shrinking dollars for special children's services, these dollars must be as efficiently allocated as possible (and the service system "shaped" accordingly), and this allocation must primarily reflect the global view of overall state children's policy and the best interests plans of individual departments and agencies. For the long-range then, it is the intent of this study to indicate the gaps in information and to identify further questions to be addressed, in the interest of encouraging the development of the more comprehensive and accurate information (and coordinated planning) which future action will require.

The context of this study is determined by the availability or non-availability of certain types of data. Historically, the availability/non-availability of specific types of information, in the absence of broader data, has shaped existing assumptions about cost relationships. An example would be the common assumption that private services are generally more expensive than comparable public services, promoted in part by the following data situation:

1. To date, only the costs of private services have been rigorously audited and made publicly available (as a result of the state purchase of service and rate-setting systems which include billing for services).
2. On the other hand, not only have public services rarely been analyzed for "taxpayer cost", but the referral by a local public agency of a child to a public service rarely results in a cost-defining bill, thus promoting the idea that public services are "free" or "cheap".

The study also has a programmatic and organizational context. This consists of a very large and mixed (public/private) service provision system in which public agencies (state and local) purchase services from the private sector, and in which both public and private agencies provide services, in approximately the following numbers (as of January 1982):

Residential Service Programs Run Directly By:

State Agencies (Corrections, Mental Health & Mental Retardation)	18
Local Public Agencies (Corrections, Education, Mental Health & Mental Retardation, Welfare)	58
Private Agencies In-State	115
Private Agencies Out-of-State	50
	241

Day Service Programs Run Directly By:

Local Public Agencies	
Corrections (no. of Court Service Units)	37
Education (no. of local School Boards)	140
Health (no. of Child Development Clinics)	13
Men. Health & Men. Ret. (no. of Community Services Boards)	37
Private Agencies	41
	268

This organizational context points to some issues which are not included in the scope of the present study, e.g., how best to match these programs for effective comparison of their cost efficiency and programmatic effectiveness; how to discover the causes of the cost differentials described in this study; what relationship cost/price issues might have had to the closing of twenty private programs within the last eighteen months, and what relationship these bed reductions and others in the public sector (such as child mental health beds) will have to costs and prices within the overall system.

It is the authors' hope that the preliminary (but systemwide) facts reported here will encourage the development of the additional information that is necessary for decisions which will serve both the best interests of Virginia's special needs children and the taxpayers who fund them.

III.
METHODOLOGY AND ORGANIZATION OF STUDY

Initial decisions were required concerning the scope of the data to be included, what common basis to reduce it to, and what format would most usefully and clearly display it. Also, the general presentation of the results had to reflect the basic division between special education and non-special education services, as well as different levels of complexity of detail which different readers might desire. The following describes those decisions.

First, it was decided to begin the process of collecting information by focusing only on special services provided in separate facilities. Thus, for example, special education services provided in an integrated setting, even though in self-contained classes, were not included. This decision reflected in part the unavailability of cost data on special services in integrated settings (such as the public schools), and the complete lack of uniformity of such data where it does exist.

Second, a common unit of service was needed in order to obtain any sense of comparison among service providers. Because different programs provide services for different numbers of days per year, the cost per child per day was selected as the most meaningful unit of service. Cost per day is also the unit used by the interagency rate setting process for the majority of services.

Finally, it was decided that the most descriptive manner of presenting the cost information would be to display the unit costs by the number of children receiving services at these unit costs. Data displayed in such a manner would present the full range of costs as well as the magnitude of services (i.e. number of children served) at each cost.

The data are presented in two general sections: Special Residential Services not involving special education, and Special Education Services provided in separate facilities, day and residential. The section on non-special education residential services includes data on private non-profit community homes, Department of Corrections Community Youth Homes, and State Learning Centers. The Special Education section includes data on private day and residential special programs with rates established by the Department of Education, including both in-and out-of-state facilities, public regional special education programs, and child and adolescent programs operated by the State Department of Mental Health and Mental Retardation.

For each section the data are presented first in the form of questions and answers. The question and answer format was selected as a means for making some complex data more easily understood. Following the questions and answers, the data are presented graphically. The notes pertaining to the graphed data fully explain the source and manner of analysis of the data. In summary, then, each section contains a simplified, easily readable presentation followed by a more detailed and comprehensive presentation. Some readers may wish to skip over the more technical notes and focus primarily on the questions and answers.

IV
ISSUES AND DATA

A. Non-Special Education Residential Services

1. **Questions and Answers**

a. Q. Is it more or less expensive to care for children in the community rather than in the State Learning Centers?

A. On the average, it is far **less expensive** in community facilities. In 1981, residential care costs (excluding education) averaged $52.45 per child per day in the Learning Centers, but only $22.08 per child per day in private residential facilities and $38.85 per child per day in locally-operated Community Youth Homes.

b. Q. Is it more expensive to place children in private residential schools than in the Learning Centers?

A. No, not ususally. The average cost of residential care **plus** education in the Learning Centers is $67.76 per child per day (for the 1981-82 fiscal year). The average rate for the same period of time in private residential special education facilities in Virginia is $66.97, with about one-half of this amount related to special education services. Of course, each child's placement must be looked at individually. Some children may require the security of a Learning Center, and others may not need the extensive special education services of residential schools. On the other hand, children who are not high security risks and who require special education services could be served in private residential schools in Virginia at no more cost than in the Learning Centers.

c. Q. What about youth in the Learning Centers who do not require special education? Could they be served in the community at less expense?

A. Yes, definitely. As indicated above, the average cost of care (without special education in the Learning Centers is $52.45 per child per day. In private residential care programs in Virginia, the average charge is $22.08 per child per day, and, in locally-operated Community Youth Homes, the average cost is $38.85 per child per day.

d. Q. Why are the residential care costs so much higher in the Learning Centers?

A. The Learning Centers are designed to serve a very difficult population of children. Much of their cost is related to the need for security. Also, there are many costs that relate to the operation of a large institution that are not as significant in smaller, community-based facilities.

e. Q. Why are daily costs higher in locally-operated Community Youth Homes than in private residential facilities?

A. The Community Youth Homes are designed to provide a significant amount of structure for very difficult children who are capable of living in the community; some private residential facilities serve children with less intensive needs. Also, many private facilities have income from private sources (for example, contributions, endowment income, etc.) that lowers the rate they charge to public agencies.

f. Q. Aren't there **some** private facilities in Virginia with very high rates?

A. No, not when the special needs of residents are considered. Only **three** private facilities have rates above $90 per child per day; however, each of these is a highly specialized program for children with severe special education needs. Similarly, some Learning Centers have costs much higher than the average. As with the private facilities, the two Learning Centers with cost over $95 per child per day are designed to serve the most difficult of the children committed to the Department of Corrections.

g. Q. Aren't there some private residential programs that charge hundreds of dollars per day for their services for children?

A. No private residential care facility nor private school in Virginia charges such rates. Frequently, however, residential facilities and schools are confused with psychiatric or hospital-based programs for children, which are far more expensive — whether public or private. Public mental health hospitals for children and adolescents (operated by the State Department of Mental Health and Mental Retardation) have daily costs ranging from $160.07 to $285.28 per child. Private psychiatric hospitals in Virginia have much **higher** charges, usually several hundred dollars per day per child.

2. **Data Display, Explanation, and Technical Notes**

The graph (Fig. 1) on the next page displays the number of residential care beds within each category of daily cost that are available for children in Virginia at facilities that do not provide special education. Similar cost data for special education programs — both day and residential — are displayed in the following section (page 14-16, Figures 2, 3, and 4).

The horizontal axis of this graph shows the daily cost per child to placing agencies. The cost is measured in dollars per day per child.

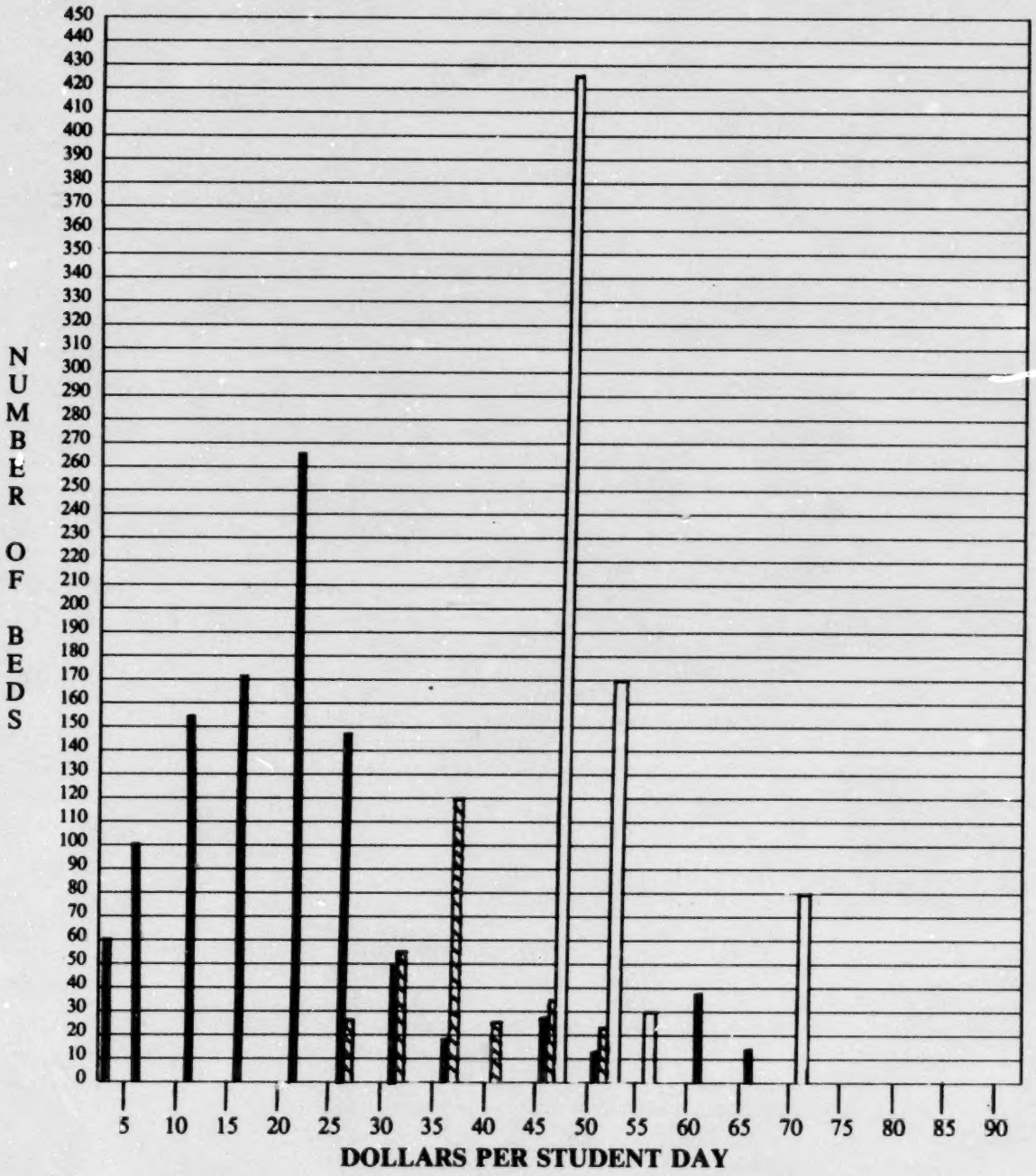
The vertical axis of the graph shows the number of beds that are available for purchase of service.

The solid bar graphs show the number of children's beds that are available in Virginia within private, non-profit facilities that are approved for purchase of service by the State Department of Welfare. The lined bar graphs show the beds that are available for service within locally-operated Community Youth Homes, which are partly funded by the State Department of Corrections. The white bar graphs show the beds within each cost category in Learning Centers operated by the State Department of Corrections.

The pages following the graph describe in further detail how this cost data was compiled and/or calculated.

RESIDENTIAL CARE COSTS (ROOM, BOARD, & SERV. EXCLUDING SPECIAL EDUCATION)

FIGURE 1



The graph on the previous page shows cost data for three types of residential programs:

- private, non-profit residential programs;
- locally-operated Community Youth Homes;
- public Learning Centers for youth operated by the State Department of Corrections.

The cost data include all non-optional services (room and board, supervision, counseling, and other forms of residential services), but exclude any costs related to special education, which is not provided in most of these facilities.

The following paragraphs provide further detail on how this cost data has been compiled and/or calculated.

Private Non-Profit Facilities (1,029 beds)

The daily cost data that is given for private facilities is taken from the approved rates from the Purchase-of-Service Unit of the State Department of Welfare, as provided on the official Vendor Information Form for each facility. The rates used are those in effect as of October 1, 1981. (Special education facilities, with rates approved by the State Department of Education, are shown elsewhere). For purposes of this analysis, all of the non-optional costs are combined; optional services — which may or may not be purchased for specific children — are excluded.

It should be noted that these financial figures reflect **rates**, or the amounts charged to agencies that place children, including public bodies. The true cost of service is, in some cases, higher; however, the rates charged to public agencies may be lower than actual cost because of privately-generated income.

The capacities for each facility are also taken from the Vendor Information Form issued by the State Department of Welfare. These capacities are usually the licensed capacities, or, in some cases the "intended" capacity of individual programs. In either case, these are the capacities that have been used in the negotiation of rates.

Locally-Operated Community Youth Homes (285 beds)

There are 26 Community Youth Homes in Virginia, which are community-based residential programs operated by localities either directly or through contracts with private providers. These programs serve children in both predispositional and post-dispositional status. The Code of Virginia (Section 16.1-313) provides partial reimbursement to the localities from the State Department of Corrections for the operation of these programs according to the following formula:

- ⅔ of personnel costs (salaries and fringe benefits);
- ½ of space costs (rent or purchase);
- 100% of other operating costs.

For purposes of the present analysis, the cost data for the Community Youth Homes has been calculated according to the following steps:

1. taking the approved budget for State reimbursement to each program for the 1981-82 fiscal year (with the exception of any budgeted building purchases, which were excluded as non-operating expenses);

2. adding to the above amount the additional ⅓ of personnel costs that are paid by the locality; and

3. adding to the above costs the additional ½ of rental costs for those programs which rent their facilities.

The capacity of each program, which ranges from 8 to 15 beds, has been taken from the utilization data provided by the state Department of Corrections for each Community Youth Home for the 1981-82 fiscal year.

11

State Learning Centers (805 beds)

The daily cost figures for the public Learning Centers operated by the State Department of Corrections have been taken from the final budget authorization for the Department of Corrections from the General Assembly for the 1981-82 fiscal year. Capacities for each Learning Center are the budgeted or "intended" capacities for each institution.

The daily cost per child was then calculated by dividing the annual cost of each facility by the budgeted capacity of that facility, as displayed in the following table:

Learning Center	BUDGETED CAPACITY	APPROVED 1981-82 BUDGET	DAILY COST PER CHILD
Beaumont	200	$ 3,391,800	$46.46
Barrett	90	1.531,300	46.61
Hanover	110	2,184,300	54.40
Natural Bridge	60	1,168,000	53.30
Bon Air	135	2,393,100	48.57
Reception & Diagnostic Center	130	2,643,200	55.70
Intensive Treatment	40	1,036,100	70.97
Appalachian	40	1,056,100	72.34
	805 beds	$15,409,900	$52.45 (weighted average)

Individual institutions may exceed their budgeted capacities at times during the fiscal year, which would result in a lower cost per child than projected in the above figures. However, at the same time, a significant amount of overhead administrative costs (for example, some portion of the operating costs of the Department's Central Administration and the Division of Youth and Community Services, etc.) is related to the operating expenses of the Learning Centers. No reliable approach was determined that would provide some accurate measure of such overhead administrative costs.

Overall, the overhead administrative costs that are not included in this analysis should (very conservatively) offset the impact that over-population might have on the daily operating cost per child.

It should be stressed that these operating costs do not include any of the costs of the Rehabilitative School Authority, which provides academic and vocational instruction to the children at the Learning Centers. These costs are described and analyzed in the Supplement on page 10.

The cost per child for instruction appears to be relatively low. There are several reasons for this. The first and certainly the most important is that the R.S.A. provides only a small percentage of its students with special education classes. The second is that the R.S.A. and the Learning Centers themselves are frequently forced to operate their programs in excess of their rated capacity. This reduces costs, but also dilutes the quality of services provided, adversely influencing their ability to meet the needs of the students. The third factor involves the absence of capital outlay and debt service in their budget. This is paid by the State and could be considered a "hidden" cost because it does not appear in their budget.

3. Supplement: Rehabilitative School Authority Costs

a.) Data

Learning Centers		Average Number of Teachers	Instructional Personnel Costs	Other instructional Costs		Administrative Costs			Total Youth Costs	Average Enrollment	Days in School	Cost per Day
				Amount	Percent	Institutional Personnel	Central Office Youth Portion					
							Percent	Amount				
Appalachian	Academic	5	$ 82,265	$ 15,665	6.4	$ 36,450	8.7	$ 26,955	$ 269,607	44.2	260	$23.46
	Vocational	5	$ 85,915	$ 22,357	13.2							
Barrett	Academic	10.3	$ 169,466	$ 32,310	13.3	$ 36,450	11.5	$ 35,630	$ 338,785	99.0	260	$13.16
	Vocational	3	$ 51,549	$ 13,380	7.9							
Beaumont	Academic	19.3	$ 317,543	$ 60,948	24.9	$ 91,125	28.1	$ 87,061	$ 843,136	244.1	260	$13.28
	Vocational	13.3	$ 228,534	$ 57,925	34.2							
Bon Air	Academic	14	$ 230,342	$ 44,059	18.0	$ 54,675	19.0	$ 58,867	$ 560,975	129.0	260	$16.73
	Vocational	8	$ 137,464	$ 35,568	21.0							
Hanover	Academic	18	$ 296,154	$ 56,787	23.2	$ 54,675	19.8	$ 61,346	$ 577,234	131.7	260	$16.86
	Vocational	5	$ 85,915	$ 22,357	13.2							
Netural Bridge	Academic	4	$ 65,812	$ 12,728	5.2	$ 36,450	6.9	$ 21,378	$ 222,884	58.5	260	$14.65
	Vocational	4	$ 68,732	$ 17,784	10.5							
Reception and Diagnostic Center	Academic	7	$ 115,171	$ 22,029	9.0	$ 36,450	6.9	$ 18,590	$ 192,240	——	——	——
	Vocational	0										
TOTALS	Academic	77.6	$1,276,753	$244,526	100	$346,275	100%	$309,827	$3,004,861	706.5	260	$15.31*
	Vocational	38.3	$ 638,109	$169,371	100							

*This is the average for the six Learning Centers and does not include the reception and Diagnostic Center costs.

b.) Explanation

The table above shows the figures that are used to calculate the per diem educational costs for each child in the Learning Centers.

In order to calculate the costs of the R.S.A. educational component, several steps were necessary. The first problem was that the R.S.A. budget is divided into just three major categories, Administration, Academic Instruction and Vocational Instruction, without any distinction between Adult and Youth costs.

Step 1 - The number of staff working in the field with adult Corrections was caluculated, and their cost was removed from the figures.

Step 2 - One-half of the central office Administrative Cost was attributed to adult and one-half to youth. (This was conservative because 52% of the R.S.A. instructional staff is in youth institutions).

Step 3 - The youth portion of the total Other Administrative Costs was calculated by taking 37.5% of the total. This figure took into account the adult portion of total Other Costs.

Step 4 - The total costs for youth were then distributed across the Learning Centers according to the number of academic and vocational positions at each one.

Step 5 - The average salary per position was calculated by dividing the total personnel costs for the category by the number of FTE (full time equivalent positions for that category).

Step 6 - The percentages for dividing up other Instructional Costs and Administrative Costs were calculated by finding the percentage of the total number of teachers who were at each Learning Center.

Step 7 - All of these costs were totaled and divided by the average actual enrollment of each institution and then divided by the number of days in the school year to yield a cost per day.

IV.
ISSUES AND DATA cont'd

B. Special Education Day and Residential Services
(Separate Center-Based Programs)

1. **Questions and Answers**

Overview

a. Q. In general what are the costs of special education (in private and public regional programs) as reflected by State-determined rates?

A. As of 1-13-82 the Virginia State Board of Education had approved rates for a total of 80 separate special education programs, public and private, day and residential, in state and out-of-state. Overall the average rate for "special education" was $34.28 per day.

b. Q. Are special education rates higher for private Virginia programs than for public regional programs?

A. No. In fact, public regional programs are somewhat more expensive than private Virginia special education programs. The average special education rate (excluding room and board and any other related services) for a public regional program is $35.69 per day as compared to $32.47 per day for private programs.

c. Q. Aren't there other costs involved beyond those specifically designated for "special education"?

A. Yes, many programs, public and private, provide related and other services not included in the basic "special education" rates. Some of these additional services are provided only when a student's IEP specifically indicates a special need for that service; in other cases the service may be "non-optional". A service is non-optional when the service is considered to be an integral part of the overall special education program and is provided to all students enrolled in that program.

d. Q. What are the costs when these additional "non-optional" related and other costs are considered?

A. To consider the grand total of all non-optional costs for which the State Board of Education establishes rates, it is necessary to separate day from residential special education services. For day special education programs, the total average of all non-option rates is $40.22 per day, considering public, private, instate and out-of-state programs. For residential special education programs the average total cost including room and board is $69.31 per day.

Day Special Education

e. Q. For **day special education** programs, considering the **rate for all non-optional services**, how do private programs compare to public regional programs?

A. The average rate for the 8 public regional day programs is $39.14 per day. The 21 Virginia private day programs have an average total rate of $38.52 per day. In addition, there are 11 out-of-state private day programs for which rates average $41.88 per day. Day programs in psychiatric facilities (n = 4) average $45.60 per day.

Private day special education total rates are, therefore, very comparable to public regional day special education program rates. Day special education services in out-of-state facilities tend to be slightly higher than in-state services, and services in psychiatric facilities tend to be higher still.

f. Q How can private program rates be compared to regional public programs? Aren't the comparisons between apples and oranges?

A. Public regional programs are similar to most private day special education programs in that services are provided for students with handicaps that occur only infrequently or for populations who are difficult to serve and who require special expertise and a pooling of resources. To receive state reimbursement comparable to reimbursement for private tuition payments, regional programs must submit cost data in exactly the same format, and rates are established by the same procedures as are applied to private programs. The data are reasonably comparable therefore.

g. Q. Is there a difference between "rates" as established by the State and actual "costs" for operating the programs?

A. In terms of cost to the taxpayer for the privately operated special education programs, the cost is identical with the rate. For publicly operated regional programs, however, the actual cost to the taxpayer may exceed the established rates. For example, if the publicly operated regional program has an enrollment below that projected for establishing the rate, the cost per unit of service may increase. In such situations the additional cost is borne by the local school division. In other situations other sources of public money may be used to help pay for program costs, even though these sources may not be considered in establishing the rate. Further analysis of actual cost data for public regional programs by those in positions to have greater access to the actual total cost data is needed.

h. Q. What about similar special education programs provided by local school divisions?

A. Some of the larger school divisions do provide highly specialized programs similar to some of the regional and private day programs. Each local school division that defines its costs for such services (and many do not) does so according to its own accounting procedures. There are no statewide accounting standards for determining such costs.

The only local school division that appears to include most of the actual costs in determining tuition rates for its education programs is Fairfax County. Fairfax County is clearly not typical of Virginia local school divisions. However, it is the largest local school division, serving approximately 16% of the special education students in the Commonwealth. Rates established by Fairfax County Public Schools average $64.29 per day for center/school special education programs. As noted, direct comparisons cannot be made since the Fairfax figures include some costs not included in state-established rates, such as for daily home-to-school transportation; conversely, the Fairfax rates do not include some staff benefit costs, such as contributions to the Virginia Supplemental Retirement System.

Residential Special Education

i. Q. **Considering rates for special education and all non-optional related and other services**, how expensive are **residential special education** programs?

A. Overall, residential special education rates including room and board and all non-optional services average $69.31 per day.

j. Q. Many students are placed in out-of-state special education facilities. How do these out-of-state programs compare to in-state private residential rates?

A. Out of state residential rates tend to be somewhat higher than rates for in-state residential special education facilities. The average out of state rate is $71.65 per day compared to **$66.97 per day in Virginia programs.**

k. Q. How do private residential special education rates compare to publicly operated residential programs?

A. As of January, 1982, no rates had been established for any residential program operated by local school divisions for school year 1981-82. Two such programs did, however, have rates for the previous year. Considering an 8.4% increase (the state predetermined maximum increase allowed for programs with rates established by the state), projections on the cost of these programs can be made. On this basis it can reasonably be projected that the rate for one of these residential programs operated by a local school division would be $82.77 per day. The rate for a second program operated by a local school division would be $49.59 per day; however, additional services provided without state reimbursement are such that the total cost of the program is projected to be $160.38 per day. The average cost of private Virginia residential special education programs of $66.97 compares favorably to both $82.77 and $160.38 for the two public school residential programs.

As with the public regional programs, the costs of residential services provided by local school divisions may exceed the established state reimbursement rates due either to under-enrollment or use of other sources of public funds beyond the rates.

l. Q. How do the costs of private residential special education compare to the state Mental Retardation Facilities' Child and Adolescent programs?

A. Based on operating costs of the five training centers divided by the total client days for the May-July 1981 quarter, and adding the special education costs covered by the State Department of Education, the average total cost is $94.80 per day. On the average therefore, Virginia privately operated residential special education programs are significantly less costly than publicly operated residential special education services for the mentally retarded (the latter tend to have a more significant medical component).

m. Q. Aren't there some private residential special education programs that charge hundreds of dollars per day for their services?

A. No. No private residential care program or school in Virginia charges such rates. Indeed there is only one Virginia facility with rates exceeding $100 per day ($105.70), a medically-oriented "mental health/education" program. The state operated mental health facilities average approximately $200.00 per day, and some private psychiatric facilities cost several hundred dollars per day. However, for Virginia private schools the average total cost is $66.97 per day and ranges from $36.46 per day to just slightly above one hundred dollars per day.

2. Data Display, Explanation, and Technical Notes

Figure 2 indicates the range of rates for "special education" and the projected number of students for each of the varying rates. "Special Education" as defined by the rate setting process refers to:

> "Specifically designed instruction to meet the unique needs of a handicapped child, including classroom instruction, instruction in physical education, adaptive physical education, movement education and motor development. The service includes vocational education."

Many programs include various related services in the special education rate when those services are provided to all students enrolled in the program.

The shaded bar graph represents information on all Virginia private school programs for which rates had been established for the school year 1981-82 as of 1-13-82. In all, this graph reflects data from 48 separate programs including 23 residential programs, 21 day programs, and 4 programs contained in psychiatric facilities. The white bar graph represents data from 8 Virginia public regional day special education programs. In all instances a program is defined as a special education service for which a separate rate is established. Consequently, a given facility may have more than one special education program.

The abscissa of the graph along the bottom reflects dollars per day for each student. All of the data reflect rates as established by the State Board of Education and as published in Superintendent's memos for public distribution. Included are rates published in Superintendent's memos for August 7, 1981; August 14, 1981; October 23, 1981; and January 12, 1982; all of the rates established to that latter date.

Data along the ordinant of the graph reflect the total number of students projected for all programs in a given rate range. In most instances this data was collected directly from the 1981-82 rate proposal and is the projected utilization number used to determine the actual rate for the service. In those instances in which these figures were not available, the projected utilization figures from the previous school year were used. Finally, in some instances where neither of the above information was available, information was obtained from the "Guide to Services for the Handicapped" prepared and distributed cooperatively by the State Department of Education Proprietary School Service and the Virginia Association of Independent Special Education Facilities. A figure of 90% of the capacity indicated in this guide was used as the best estimate of projected utilization for those particular programs. The graph indicates, therefore, the projected number of students at each cost interval. For example, in the $25 to $30 cost per day range it would be projected that there would be 40 students in public regional programs and slightly more than 280 students in private schools.

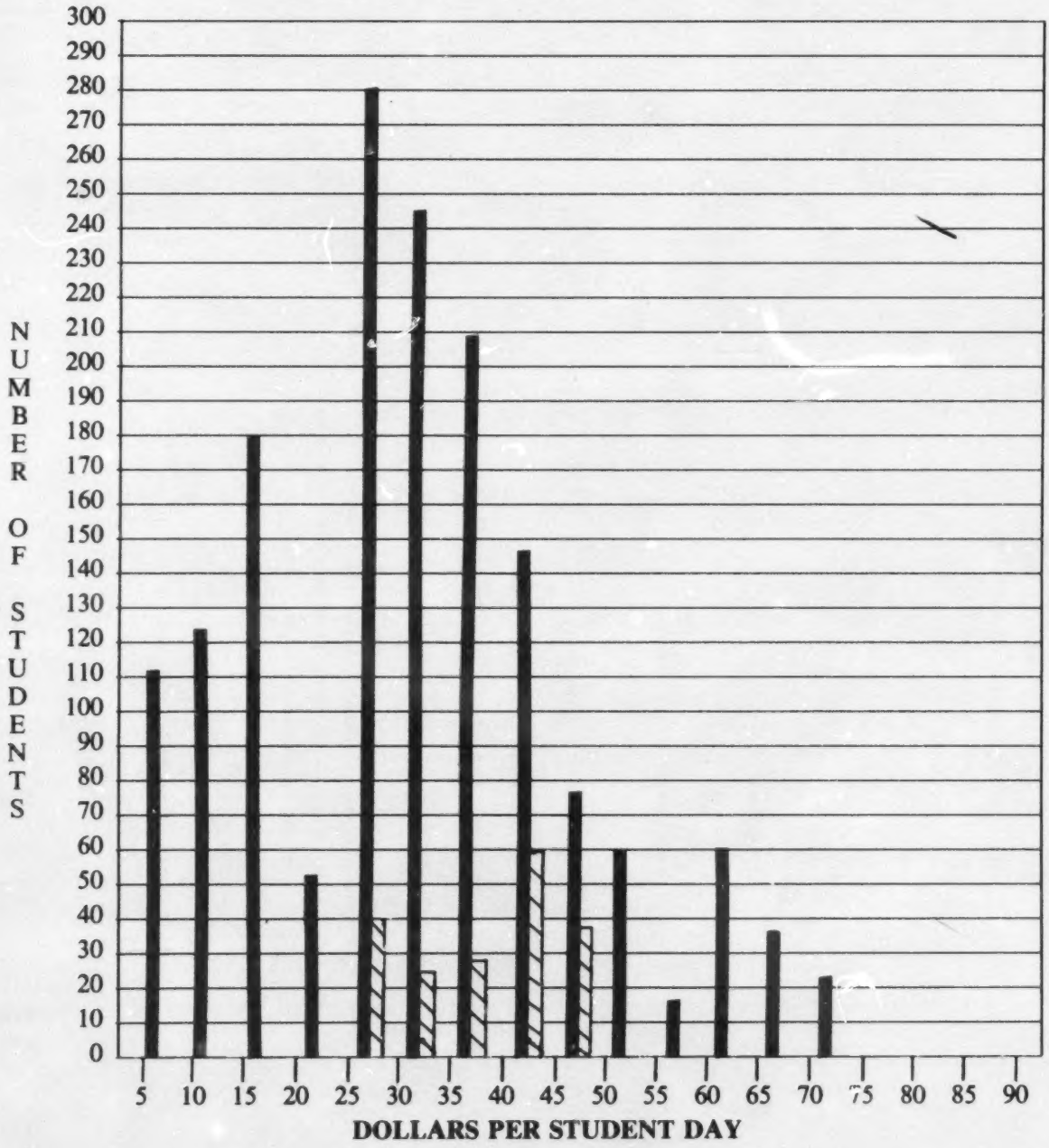
Figure 3 presents day programs only and compares day private Virginia programs with public regional programs. Included on this graph are costs not only for special education but also for all other services for which rates were established and which were considered to be non-optional. That is, included here are all costs which apply to all students enrolled in a given program. This figure compares 21 day private programs with the 8 public regional programs.

Figure 4 presents data with regard to residential services. Included on this graph are all costs including special education, room and board and all additional non-optional services.

The data on this graph referring to public schools is not included in Figure 2, as no public residential programs had rates established for the 1981-82 school year as yet. The data presented for the public schools in Figure 4, therefore, represents costs of public school programs from the prior year with the addition of an 8.4% inflation factor. In contrast to all of the other rate data, the one public residential program indicated on the graph in the $160 to $165 cost per day range includes the total public costs of that program. Because the rate established for that program represents only 31% of the total public education dollars it was felt that a more accurate comparison would be to include total costs as the rates for private programs do in fact represent the total in public education dollars for the services. Much of the cost of this program was not included in this state-established rate as other public education money was reflected as revenue generated by the program and therefore deducted from the overall expenses upon which rates were determined.

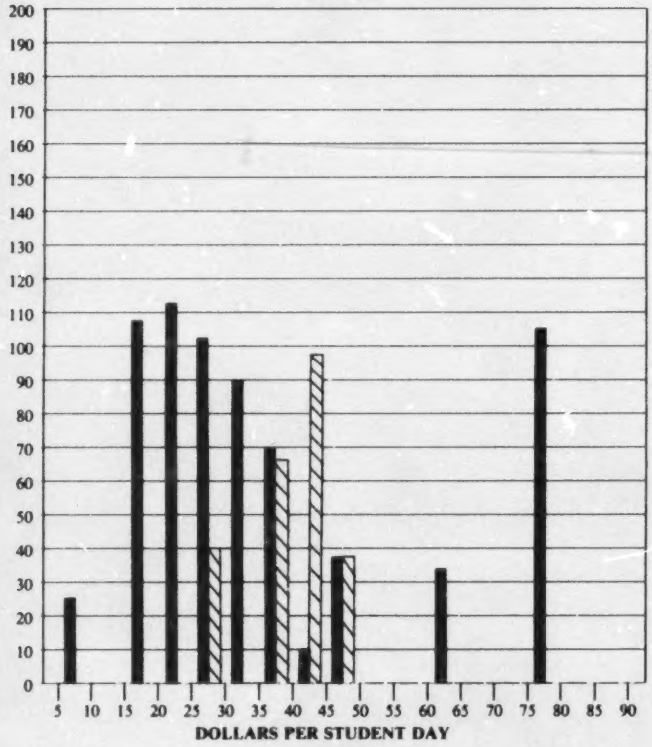
DISTRIBUTION OF SPECIAL EDUCATION RATES BY PRIVATE AND PUBLIC PROGRAMS

FIGURE 2



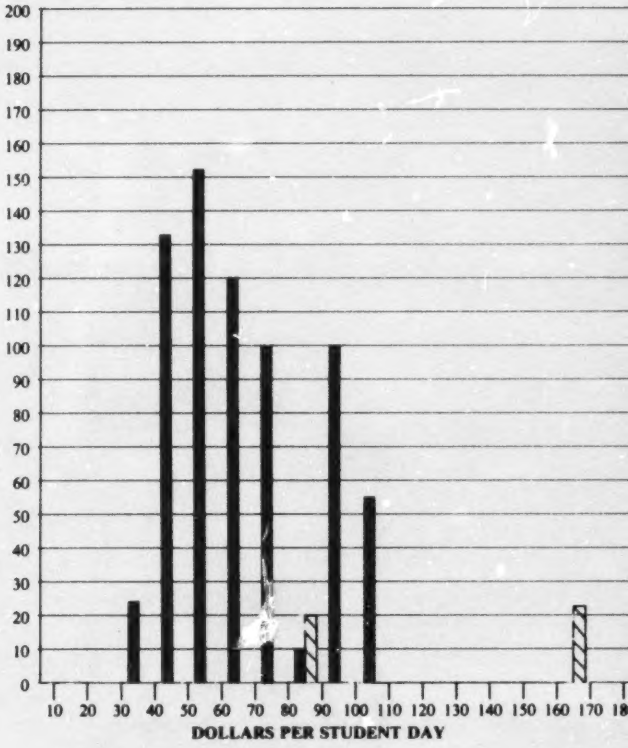
DISTRIBUTION OF SPECIAL EDUCATION & NON-OPTIONAL RELATED AND OTHER COSTS

FIGURE 3



DISTRIBUTION OF RATES FOR THE TOTAL COST OF RESIDENTIAL SPECIAL ED.

FIGURE 4



3. Supplement: Mental Health and Mental Retardation State Children's Programs' Costs

a.) Data

I. State Mental Health Facilities, Child & Adolescent Programs

COL.	A	B	C	D	E	F	G
NAME	BED CAP.	RESID. PER DIEM COST	EDUC. P. D. State Alloc	EDUC. P. D. 83-313 Alloc.	EDUC P. D.TOTAL Alloc. (C + D.)	RESID. & EDUC PD COST (B. + E.)	E. as % of F.
1. Central State Hospital	45	177.15	28.67	3.96	32.63	209.78	16%
2. DeJarnette Center for Human Development	45	169.34	20.64	3.86	24.50	193.84	13%
3. Eastern State Hospital	(52)	117.17*	38.99	3.91	42.90	160.07	27%
a. Children's Unit	28	105.91					
b. Adolescent Unit	24	128.42					
4. Southwestern State Hospital	17	114.17	44.09	4.89	48.98	163.15	30%
5. Virginia Treatment Center for Children	10	255.97	26.44	2.87	29.31	285.28	10%
6. Western State Hospital	20	119.46	58.31	6.76	65.07	184.53	35%
	219						

(AGE 2-18) *average of 3a. & 3b

II. State Mental Retardation Facilities, Child and Adolescent Programs

1. Lynchburg Training School and Hospital	231	61.03			14.50	75.53	19%
2. Southside Virginia Training Center	242	60.69			12.47	73.16	17%
3. Southwestern Virginia Training Center	57	74.41			13.49	87.90	15%
4. Southeastern Virginia Training Center	85	88.09			42.39	130.48	32%
5. Northern Virginia Training Center	122	81.76			25.16	106.92	24%
	737*						

*Census as of Oct. 1, 1981; there are no licensed "capacities"

b.) Explanation

Mental Health Program Costs

I. Col. A Supplied by: Dr. David Fitch, Director of Childrens' MH Programs, VDMH&MR, on 10.14.81. Effictive Date: 10.14.81

I. Col. B Supplied by: same as I.A. on same date. Effective Date: May-June-July Quarter, 1981. Calculation Base: total operating cost divided by total client days. NOTE: the Dept. also has a per diem rate for each program which is charged to private clients; this is revised every 6 months to one year to approximate the quarterly "cost" figure quoted here.

I. Col. C. Derived by RW Stieg from data supplied by Dr. Susan Kemp, Supervisor of Institutional and Related Programs, VDOE, on 10.28.81 Effective Date: 1980-81

		State Educ. Funds						Max Poss Sch Days in 12 Mo's.	Bed Cap.	Client School Days	P.d. Cost
1.	Central	$ 272,272	+AR*	$11,575	(17.9%)	=	$ 283,847 +	(220 x	45 =	9900) =	$28.67
2.	DeJarnette	$ 196,001	+AR	$11,575	(17.9%)	=	$ 204,343 +	(220 x	45 =	9900) =	$20.64
3.	Eastern	$ 427,974	+AR	$18,106	(28.0%)	=	$ 446,080 +	(220 x	52 =	11440) =	$38.99
4.	Southwestern	$ 158,161	+ AR	$ 6,725	(10.4%)	=	$ 164,886 +	(220 x	17 =	3740) =	$44.09
5.	VTC	$ 223,200	+ AR	$ 9,442	(14.6%)	=	$ 232,642 +	(220 x	40 =	8800) =	$26.44
6.	Western	$ 246,088	+ AR	$10,476	(16.2%)	=	$ 256,564 +	(220 x	20 =	4400) =	$58.31
		$1,523,696	+	$64,666		=	$1,588,362				

*5%State Administrative Retention

Calculation Base:
First the 5% administrative charge was redistributed to the six institutional allotments, giving each the same percentage of the 5% ($64,660) as of the whole ($1,523,696). Then, that resulting total was divided by the maximum potential number of client school days, obtained by multiplying the maximum number of school days at the institution (Kemp indicates a 12 month school year, which was the 1980-81 basis, is equivalent to 220 school days) by the rated bed capacity (not average occupancy). This resulted in a per client per diem state funds figure.

I. Col. D. Derived by R. Stieg from data supplied by George Mays, Office of Special Education Administration and Finance, VDOE on 12.16.81 Effective Date: 1980-81

		Federal Funds From P.L. 89-313		Max Poss Sch. Days	Bed Cap.	Client School Days	P.D. Cost
1.	Central State	$39,209	+	(220 x 45 =		9900) =	$3.96
2.	DeJarnette	$38,213	+	(220 x 45 =		9900) =	$3.86
3.	Eastern State	$44,487	+	(220 x 52 =		11440) =	$3.91
4.	Southwestern State	$18,293	+	(220 x 17 =		3740) =	$4.89
5.	VTC	$25.265	+	(220 x 40 =		8800) =	$2.87
6.	Western State	$29747	+	(220 x 20 =		440) =	$6.76

Calculation Base:
The total 89-313 money per institution was divided by the total possible client school days, obtained the same way as above in I. Col. C.

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b.) Explanation cont'd

I. Col. E. Columns C. and D. were added together

I. Col. F. Columns B. and E. were added together

I. Col. G. Col. F. (Total Education Cost) is expressed as a percentage of Col. F. (Total Cost).

Mental Retardation Program Costs

II. Col. A. Supplied by: Michael Fehl, Director of Children's MR Programs, VDMH&MR on 12.17.81. Effective Date: Census as of October 1, 1981

II. Col. B Supplied by: Dr. David Fitch (see I. Co'. A.) and Walter Kimpel, VDMH&MR Audit Services, on 11.13.81. Effective Date: July-August-September Quarter, 1981. Calculation Base: total operating cost* of child and/or adolescents programs divided by total client days. Note that at Southside VTC and Northern VTC there are no separate child/adolescent cost centers and that these are departmental estimates.

Facility	Total Cost		Total Res. Days		Cost Per Res. Day
1. Lynchburg TS&H	$1,029,385	÷	18,504	=	$61.03
2. Southside VTC	$1,185,746	÷	19,538	=	$60.69
3. Southwestern VTC	$ 495,151	÷	6,654	=	$74.41
4. Southeastern VTC	$ 233,608	÷	2,652	=	$88.09
5. Northern VTC	$ 540,675	÷	6,613	=	$81.76

II. Col. E. Derived by R. Stieg from data supplied by Michael Fehl and Walter Kimpel on 12.30.81 and 1.7.82. Effective Date: 1980-81. Calculation base: Mr. Kimpel prepared an annual estimate of what each MR institution spent for "education" in 1980-81 above and beyond the residential rate (the institutions cannot "charge" for these educational services under federal and state FAPE regulations). Stieg then divided each annual figure by four, to get an "average" quarterly education figure, and then divided that quarterly figure by the total quarterly client days** for July 1 - September 30, 1981, which were used in II. Col. B. above. Mr. Kimpel agreed that this was a reasonable procedure for deriving an **estimate** of per diem education costs.

Facility	EDUC. Ann. Exp.				Qtly Exp.		Total Res. Days	Est. P.D. Educ. Exp.
1. Lynchburg TS&H	$1,073,568	÷	4	=	$268,392	+	18,504	= $14.50
2. Southside VTC	$ 974,338	÷	4	=	$243,585	+	19,538	= $12.47
3. Southwestern VTC	$ 358,960	÷	4	=	$ 89,740	+	6,654	= $13.49
4. Southeastern VTC	$ 449,709	÷	4	=	$112,427	+	$ 2,652	= $42.39
5. Northern VTC	$ 665,580	÷	4	=	$166,395	+	6,613	= $25.16

II. Col. F. Columns B. and E. were added together

II. Col. G. Col. E. is expressed as a percentage of Col. F.

*not including education costs

**There is no separate "education" census in the MR institutions. Although the Dept. of Education refers to "180 day" programs there, the Dept. of MH&MR sees them as continuous all year long and including all residents except those on medical excuses.

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V.
SUMMARY

The data presented here, while representing a significant effort, constitute only a beginning.

Perhaps the most significant finding in these times of budgetary stress is the lack of readily accessible cost information which public policy decision-making requires. For example, this study has been particularly limited by the lack of accurate and comprehensive cost data for publicly operated special services, especially those operated by local school divisions.

The second significant finding, which is clear even with the limited information that is available, is that services provided by the private sector are generally less costly than similar services provided by the public sector.

The study did not attempt to analyze why costs appear to be lower in the private sector, although we may speculate that the causes are related to known phenomena, such as the following:

1. lower prevailing wages and benefits;
2. less emphasis on physical plant;
3. the dis-allowance by the state rate-setting system of initial capital and all interest costs (which the private facility must raise privately, while the taxpayer pays these costs for public facilities); and
4. use of endowment and outside private financial resources to reduce charges to public agencies.

Further study of the full actual costs of services is needed to understand these differentials.

In addition, there is a need to look more carefully at how various services can best be matched for comparison purposes, to look at the quality of services offered, and to look at the appropriateness of those services in meeting the needs of the children. Fuller understanding of the cost-effectiveness of various service options is critical, not only for decisions regarding placement of specific children, but also for coordinated long-term planning for the development of the service delivery system.

It is hoped that this study has provided the encouraging first step towards the completion of a cross-sector, cross-departmental cost effectiveness data base. In turn this will permit further explanation of the data, and an analysis of its implications for public policy. It is also hoped that the preliminary data reported here (and its lack) have suggested that such an effort will benefit both the taxpayers and the special needs children of the Commonwealth.

Additional Single copies of this Study
are available without charge from:

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